

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

September 22, 2011

The 305th meeting of the Rhode Island Higher Education Assistance Authority was held Thursday, September 22, 2011, in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 10:05 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chair/Treasurer

Mr. John Howell, Secretary

Mr. Joshua Brumberger, designee for General Treasurer Gina Raimondo

Mr. Steven Archer

Ms. Patricia Doyle

Ms. Faith Lasalle, Esq.

Mr. Solomon A. Solomon

Board Members Absent:

The Honorable Robert J. McKenna

Also Attending:

Ms. Gail Mance-Rios, Deputy Director

Mr. Joseph Palumbo, Esq., Legal Counsel

Mr. Marc Lacroix, Chief Financial Officer

Mr. Peter Kerwin, Chief Program Development

Mr. Michael Joyce, Director Scholarship & Grants

Ms. Dana Peterson-Fatuda, Assistant Administrative Officer

Ms. Kathleen Sisson, Director, WaytogoRI

Ms. Linda Makhlouf, Director, Human Resources

Mr. Noel Simpson, RISLA

Ms. Laurie Brayton, Legislative Fiscal Analyst

1. Chairman's Report: No report

2. Deputy Director's Report: Ms. Mance-Rios reported that the current Cohort Default rate has changed. She explained that the federal government takes a look at all borrowers who enter repayment in one year then tracks them. This particular report is based on borrowers that entered into repayment from October 1, 2008 – September 30, 2009. The calculation is based on that tracking. The rate dropped, last year it was 7.5%, this year it is 6.0%. Ms. Mance-Rios stated that

she has a listing of the schools if anyone has questions. Dr. Santoro asked if the default rate is for Rhode Island institutions or RIHEAA's portfolio. Ms. Mance-Rios responded that the 6.0% rate is for RIHEAA's portfolio. Mr. Lacroix reported that the rate is not a "true" financial calculation. Ms. Mance-Rios stated that the national rate is 8.8%. This is important for us because RIHEAA makes most of our revenue through defaults.

Ms. Mance-Rios stated that at the last Board meeting questions were raised about the confidentiality of documents. She stated that the Access to Public Records Act ("APRA") and financial documents that are provided to the Board in a confidential matter are exempt from public records request. That means that if XAP provides its financial statements to the Authority, they would not constitute public documents because the APRA specifies that "financial information obtained from a person, firm or corporation which is of a privileged or confidential nature" does not constitute a public record. The concern for XAP was having the documents become public. Dr. Santoro asked legal counsel to find out if these records can be reviewed in Open Session or Executive Session.

Ms. Mance-Rios distributed a report that indicated XAP's client list. She stated that their transition clients are clients that have the full measure of all of the products that XAP has available, these clients are; waytogo, Georgia, Iowa and North Carolina. The listing indicates state based transition sites, services and products. The statewide

Bridges portals, Bridges and XAP merged in 2007; the existing products that Bridges maintain are provided in the report. Mentor products, which are the preexisting XAP clients and the services that they purchase are also mentioned in the report. An explanation of category terminology is listed on the last page of the report. “Mr. Howell asked how this compares to the number of clients that they had a year ago. Ms. Mance-Rios stated that she will have Kathy Sisson provide that information to the Board. Ms. Mance-Rios stated that XAP is planning to attend the October 27th Board of Director’s meeting. Dr. Santoro and Dr. Croasdale both stated that they are not available on that date. Another date will be scheduled so that every Board member can attend the XAP presentation.

Ms. Mance-Rios stated that a letter from XAP announced its Interim CEO, his name is Peter Nepher. XAP will continue to do a national search for a permanent CEO.

Ms. Mance-Rios discussed questions regarding the MOU (Memorandum of Understanding) resources available to RIHEAA from RIDE, the scope of the partnership between RIHEAA and RIDE, a letter submitted to the Department of Administration back in April that details a “high view” of what RIDE and RIHEAA partnership is a justification memo, asking if RIDE and RIHEAA can work together in partnership on longitudinal data system. The MOU was starting when we received approval from the Department of Administration that we can continue to work together and RIHEAA could serve as potential

e-transcript site for the longitudinal data system. This was the question about what we are doing with RIDE. The project has evolved and is still fluid as to what RIDE wants. We started out providing the K-8 transcript, and XAP was kind enough to give us a ball-park figure of \$950,000, which includes everything. We are moving away from the K-8 idea. One of the good things is the funding can be used to supplement work on waytogo; i.e. covering salaries, trainings, materials and an awareness campaign. We are hopeful that we can move this forward soon so that we can continue to work on the MOU and bring the funding to RIHEAA. We spoke with RIDE recently and there's a second LDS Grant opportunity from the Department of Education, which would bring in additional funding and RIDE wants to write waytogo into the grant.

Ms. Mance-Rios stated that source code was another concern, and what would happen with the source code should anything occurred with XAP. Ms. Mance-Rios reported that she spoke with colleagues in Iowa, who have the "I have a plan" Iowa site through XAP, and in their contract there is a provision that puts XAP's source code in an escrow account. If anything happens to XAP, Iowa has access to the source code. We do not have that clause in our contract. Mr. Palumbo stated that after reviewing the contract, RIHEAA will own the source code if XAP breaches the contract. The Board can exercise the option to not fund the contract with XAP, but we would lose the source code. Dr. Santoro asked if we could modify the contract to input the source code. Gail Mance-Rios stated that she

will begin that discussion with XAP.

Ms. Mance-Rios stated that after discussions with Iowa, she found that they also have done due diligence with vendors who do the same types of services. One of the vendors is ConnectEdu, Iowa discovered that they do not provide the same comprehensive services that XAP provides.

Dr. Santoro stated that it is important that XAP comes to a Board meeting.

Mr. Howell asked if in any discussions with RIDE and the MOU, have any questions come up regarding the consolidation of higher education.

Ms. Mance-Rios responded that no issues have come up specifically; the issue is the work on the program, where it is done, whether under the umbrella of OHE, RIDE or RIHEAA it is immaterial. It's just getting the work done on the LDS; it crosses all of the agencies. It is an interagency project.

Dr. Croasdale asked if we could put the future revisions of the scholarships & grant program on the agenda for the next board meeting.

3. Financial/Audit Committee Report: Dr. Croasdale stated that the

Financial and Audit Committee met this morning and is recommending the approval of the Fiscal Year 2011 RIHEAA Financial statement. Audit subject to editorial revisions and changes which may be required as a result of review by the State Controllers Office, then the Auditor General's Office.

4. Action Item: A motion to accept the Recommendation regarding RIHEAA Financial Statement Audit for Fiscal Year ending June 30, 2011 was made by Dr. Croasdale and seconded by Mr. Solomon A. Solomon.

Voted in favor: Dr. Anthony Santoro, Mr. John Howell, Ms. Patricia Doyle, Ms. Faith Lasalle, Esq., Mr. Steven Archer, Mr. Solomon A. Solomon, Dr. William Croasdale and Mr. Josh Brumberger, designee for General Treasure Gina Raimondo.

Voted against: None

The motion passes unanimously.

5. Update on Direct Lending Servicing RFP and process – Ms. Mance Rios reported that RIHEAA will be looking into the RPF to provide Direct Loan Servicing that RISLA has put out. On-going discussions ensued about the viability of submitting the RPF.

Mr. Simpson stated that RISLA issued an RPF looking for vendors

that would provide RISLA with Direct Loan Servicing software that RISLA can utilize to pursue a contract with the United States Department of Education to service Direct Loans. As part of the Health Care Act in 2010, Congress authorized state based not-for-profit lenders to pursue this contract and directed the Secretary of Education to set aside 100,000 accounts. Questions about what type of investments RISLA must make to qualify for these contracts, the Department of Education has specifically stated in their requirements that the lender or host must be FISMA compliant. FISMA dictates the security requirements that an organization must satisfy in order to qualify. Folks are spending million of dollars to become security compliant in order to get these contracts.

Mr. Josh Brumberger asked, what kind of revenue does the 100,000 accounts generate? And, does RIHEAA have the software for this program, and how is RIHEAA a potential applicant?

Mr. Simpson stated that RIHEAA could come in as a direct applicant; the second option is to contract with a third party for the software than contract with RIHEAA to manage a Call Center, and utilize RIHEAA employees to work in that Call Center. Mr. Simpson stated that the program has two main benefits: job preservation and continued programming.

Dr. Santoro asked if RIHEAA is close to being FISMA compliant. Ms. Mance-Rios stated that we are working on that, but we are very close

to being FISMA compliant. Dr. Santoro stated that we should explore all opportunities. Ms. Mance-Rios agreed and said, we also have the VFA to consider.

6. New England Board of Higher Education Appointments – Dr. Croasdale asked if we could put a hold on this action item until the October Board meeting. Dr. Santoro stated that we will need to address this issue soon than later.

Dr. Croasdale stated that the responses to the banking RFP were: Bank of America, Citizens Bank, Washington Trust, Sovereign, Webster Bank and Bank of Rhode Island.

Dr. Croasdale asked that on the next Board meeting agenda he would like to add a discussion item regarding a RIHEAA personnel matter. Mr. Palumbo instructed Dr. Croasdale to send the language for the discussion item.

There being no further business to come before the Board of Director's, the meeting adjourned.

Adjournment was at 10:35 a.m.

Mr. John Howell

Secretary